

RIVERSIDE COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2016**

TABLE OF CONTENTS

Officials		<u>Page</u> 3
Independent Auditors' Report		5-7
Management's Discussion and Analysis		9-17
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	19
Statement of Activities	B	20
Governmental Fund Financial Statements:		
Balance Sheet	C	21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	22
Statement of Revenues, Expenditures and Changes in Fund Balances	E	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Position	G	25
Statement of Revenues, Expenses and Changes in Fund Net Position	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	28
Statement of Changes in Fiduciary Net Position	K	29
Notes to Financial Statements		30-47
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		49
Notes to Required Supplementary Information – Budgetary Reporting		50
Schedule of the District's Proportionate Share of the Net Pension Liability		51
Schedule of District Contributions		52
Notes to Required Supplementary Information – Pension Liability		53
Schedule of Funding Progress for the Retiree Health Plan		54
	<u>Schedule</u>	
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	57
Capital Project Accounts:		
Combining Balance Sheet	3	58
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	59
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	60
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	61
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		63-64
Schedule of Findings		65-70

RIVERSIDE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2015 Election)

Greg Hansen	President	2015
Murray Fenn	Vice President	2017
Matt Bowen	Board Member	2015
Jeff Buckingham	Board Member	2015
Dan Ives	Board Member	2015
Lindsay Bentley	Board Member	2017
Phil Reed	Board Member	2017

(After September 2015 Election)

Murray Fenn	President	2017
Phil Reed	Vice President	2017
Lindsay Bentley	Board Member	2017
Matt Bowen	Board Member	2019
Jeff Buckingham	Board Member	2019
Todd Pendgraft	Board Member	2019
Rodney Pendgraft	Board Member	2019

School Officials

Dr James Sutton	Superintendent	Resigned
Dr Tim Mitchell	Superintendent	2016
Dan Rold	Business Manager/ Board Treasurer	2016
Terresa Grobe	Board Secretary	2016
Joseph Thornton	Attorney	2016

RIVERSIDE COMMUNITY SCHOOL DISTRICT



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

November 16, 2016

INDEPENDENT AUDITORS' REPORT

The Board of Education
Riverside Community School District
Carson, IA 51525

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riverside Community School District, Carson, Iowa, as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Continued...

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riverside Community School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 17 and 49 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riverside Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the eight years ended June 30, 2014 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Continued...

November 16, 2016
Riverside Community School District
Independent Auditors' Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016 on our consideration of Riverside Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Riverside Community School District's internal control over financial reporting and compliance.

Schraer & Associates, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Riverside Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,487,239 in fiscal 2015 to \$7,742,059 in fiscal 2016. General Fund expenditures increased from \$7,324,538 in fiscal 2015 to \$7,496,742 in fiscal 2016. The increase in General Fund revenues was primarily the result of increases in local tax revenues. The increase in expenditures was due to a slight increase of spending in most functional areas. This resulted in an increase of the District's General Fund balance from \$1,004,688 at June 30, 2015 to \$1,250,005 at June 30, 2016.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Riverside Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Riverside Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Riverside Community School District acts solely as an agent or custodian for the benefit of those outside of County government.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retirees Health Plan.
- Supplementary Information provides detailed information about the non-major governmental funds.
- Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Riverside Community School District Annual Financial Report

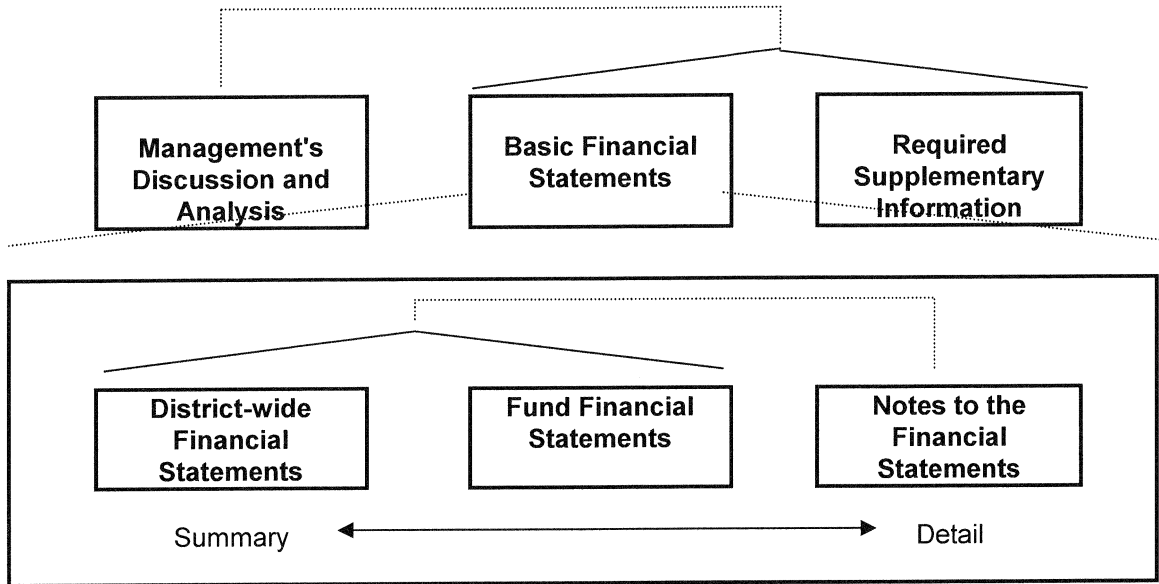


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance Sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/ Acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All additions and reductions during year, regardless of when cash is received or paid

REPORTING OF DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

1. *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

2. *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three Enterprise Funds, the School Nutrition Fund, the Day Care Fund and the Farming Operation Fund. The District uses Internal Service Funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District has one Internal Service Fund that is used to account for the District's employee flexible benefit plan.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

3. *Fiduciary funds*: The District is the trustee or fiduciary for assets that belong to others.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statement for fiduciary funds includes a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position – Figure A-3 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-3 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Current and other assets	\$ 10,347	17,740	106	98	10,453	17,838	-41.40%
Capital assets	24,998	15,810	11	15	25,009	15,825	58.03%
Total assets	35,345	33,550	117	113	35,462	33,663	5.34%
Deferred outflows of resources	915	473	39	19	954	492	100.00%
Long-term liabilities	23,464	21,467	175	130	23,639	21,597	9.46%
Other liabilities	2,519	4,104	15	16	2,534	4,120	-38.50%
Total liabilities	25,983	25,571	190	146	26,173	25,717	1.77%
Deferred inflows of resources	5,121	4,395	25	34	5,146	4,429	16.19%
Net position							
Net investment in capital assets	5,264	4,255	11	15	5,275	4,270	23.54%
Restricted	2,128	2,357	-	-	2,128	2,357	-9.72%
Unrestricted	(2,236)	(2,555)	(70)	(63)	(2,306)	(2,618)	11.92%
Total net position	\$ 5,156	4,057	(59)	(48)	5,097	4,009	27.14%

The District's total net position increased by 27.14% or approximately \$1,088,000 from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$229,000 or 9.72% from the prior year. The decrease was mainly attributable to the decrease in the fund balances of the Management Fund and the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased approximately \$312,000. This reduction in unrestricted net position was primarily a result of an increase in the District's net OPEB liability.

Changes in net position – Figure A-4 shows the changes in net position for the year ended June 30, 2016, compared to the year ended June 30, 2015.

Figure A-4 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2016	2015	2016	2015	2016	2015	2015-2016
Revenue							
Program revenues:							
Charges for services	\$ 278	376	243	193	521	569	-8.44%
Operating grants, contributions and restricted interest	1,479	1,635	189	175	1,668	1,810	-7.85%
Capital grants, contributions and restricted interest	327	24	-	-	327	24	100.00%
General revenues:							
Property and other tax	4,850	4,359	-	-	4,850	4,359	11.26%
Statewide sales, services and use tax	654	674	-	-	654	674	-2.97%
Unrestricted state grants	2,434	2,568	-	-	2,434	2,568	-5.22%
Unrestricted investment earnings	3	2	-	-	3	2	50.00%
Other	26	7	2	6	28	13	115.38%
Total revenues	10,051	9,645	434	374	10,485	10,019	4.65%
Program expenses:							
Instruction	5,055	5,045	-	-	5,055	5,045	0.20%
Support services	2,546	2,638	-	-	2,546	2,638	-3.49%
Non-instructional programs	-	-	445	408	445	408	9.07%
Other expenses	1,351	1,481	-	-	1,351	1,481	-8.78%
Total expenses	8,952	9,164	445	408	9,397	9,572	-1.83%
Changes in net position	1,099	481	(11)	(34)	1,088	447	-143.40%
Net position beginning of year, as restated	4,057	3,576	(48)	(14)	4,009	3,562	12.55%
Net position end of year	\$ 5,156	4,057	(59)	(48)	5,097	4,009	27.14%

In fiscal year 2016, property tax and unrestricted state grants accounted for 72.5% of governmental activities revenue, while charges for service and operating grants, contributions and restricted interest accounted for 99.5% of business type activities revenue. The District's total revenues were approximately \$10.5 million, of which approximately \$10.0 million was for governmental activities and \$0.5 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.65% increase in revenues and a 1.83% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$10,050,760 for fiscal year 2016 and expenses were \$8,952,596 for the year ended 2016.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses, for the year ended June 30, 2016 compared to the year end June 30, 2015.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-2016	2016	2015	Change 2015-2016
Instruction	\$ 5,055	5,046	0.18%	3,769	3,804	-0.92%
Support services	2,546	2,638	-3.49%	2,368	2,426	-2.39%
Other expenses	1,351	1,481	-8.78%	732	899	-18.58%
Total	<u>\$ 8,952</u>	<u>9,165</u>	<u>-2.32%</u>	<u>6,869</u>	<u>7,129</u>	<u>-3.65%</u>

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$277,836.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,805,731.
- The net cost of governmental activities was financed with \$5,504,342 in property and other taxes, and \$2,433,764 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities were \$434,495 for 2016, and expenses were \$444,989 for 2016. The District's business-type activities include the School Nutrition Fund, Day Care Fund and the FFA Farm Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Riverside Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,231,238 for 2016 and \$10,853,820 for 2015. The primary reason for the decrease in combined fund balances in fiscal 2016 is due to costs of construction of a new junior and senior high school building accounted for in the Capital Projects Fund.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. The District saw an increase in local tax sources. Expenditures increased slightly resulting in an overall increase in financial position.
- The General Fund balance increased \$245,317 to \$1,250,005 due to an overall increase in revenues over expenditures.
- The Capital Project Fund balance decreased from \$9,508,682 to \$1,720,882 due to construction costs of a new building. During the year, the District issued general obligation bonds that are payable from the Debt Service Fund.
- The Debt Service Fund balance increased \$9,731 during the year ended June 30, 2016.

Proprietary Fund Highlights

The Proprietary funds are all considered nonmajor funds. The enterprise funds net position decreased \$10,494 due to increased OPEB costs.

BUDGETARY HIGHLIGHTS

Riverside Community School District did not amend its budget

The District's total revenues were \$731,657 more than total budgeted revenues, a variance of 7.5%. The most significant variance was in state sources received.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested approximately \$25,009,000, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$198,156.

The original cost of the District's capital assets was \$31,283,426. Governmental funds account for \$31,201,996 with the remainder of \$81,430 in the Proprietary, School Nutrition Fund.

The significant capital assets activities during the year occurred in the construction in progress category. The District is constructing a new junior and senior high school building.

Figure A-6							
Capital Assets, net of Depreciation							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Land	\$ 526	526	-	-	526	526	0.00%
Construction in progress	22,407	13,151	-	-	22,407	13,151	70.38%
Buildings	1,749	1,820	-	-	1,749	1,820	-3.90%
Improvements other than buildings	154	169	-	-	154	169	-8.88%
Machinery and equipment	162	144	11	15	173	159	8.81%
Total	24,998	15,810	11	15	25,009	15,825	58.03%

Long-Term Debt

At June 30, 2016 the District had long term debt outstanding of \$19,734,000. This represents an increase of 2.77% from the prior year. (See Figure A-7) More detailed information about the District's long term liabilities is available in Note 5 to the financial statements.

Figure A-7			
Outstanding Long-Term Obligations			
(Expressed in Thousands)			
	Total		Total
	District		Change
	June 30,		June 30,
	2016	2015	2015-2016
General obligation bonds	\$ 14,005	13,165	6.38%
Revenue bonds	5,726	6,035	-5.12%
Capital lease obligation	3	-	-
Total	\$ 19,734	19,200	2.78%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment has remained relatively stable in recent years.
- New housing developments and new small businesses emerging will hopefully stimulate growth.
- Larger employers in the area have remained stable.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dan Rold, Business Manager/District Treasurer, Riverside Community School District, PO Box 218, Carson, Iowa 51525.

BASIC FINANCIAL STATEMENTS

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 5,229,518	102,567	5,332,085
Receivables:			
Property tax:			
Delinquent	41,464	-	41,464
Succeeding year	4,490,640	-	4,490,640
Accounts	21,626	-	21,626
Due from other governments	563,491	-	563,491
Inventories	-	3,148	3,148
Capital assets, net of accumulated depreciation	24,997,978	11,292	25,009,270
Total assets	<u>35,344,717</u>	<u>117,007</u>	<u>35,461,724</u>
Deferred Outflows of Resources			
Pension related deferred outflows	915,146	38,933	954,079
Liabilities			
Accounts payable	1,724,560	1,932	1,726,492
Salaries & benefits payable	637,596	11,215	648,811
Accrued interest payable	156,463	-	156,463
Unearned revenue	-	2,149	2,149
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	570,000	-	570,000
Revenue bonds	319,000	-	319,000
Capital lease obligation	1,105	-	1,105
Compensated absences	12,027	-	12,027
Portion due after one year:			
General obligation bonds	13,435,000	-	13,435,000
Revenue bonds	5,407,000	-	5,407,000
Capital lease obligation	2,348	-	2,348
Net pension liability	2,813,312	112,317	2,925,629
Net OPEB liability	904,995	62,551	967,546
Total liabilities	<u>25,983,406</u>	<u>190,164</u>	<u>26,173,570</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	4,490,640	-	4,490,640
Pension related deferred inflows	630,268	25,453	655,721
Total deferred inflows of resources	<u>5,120,908</u>	<u>25,453</u>	<u>5,146,361</u>
Net Position			
Net investment in capital assets	5,263,525	11,292	5,274,817
Restricted for:			
Categorical funding	162,851	-	162,851
Management levy purposes	141,415	-	141,415
Student activities	103,228	-	103,228
School infrastructure	1,688,369	-	1,688,369
Physical plant and equipment levy	32,513	-	32,513
Unrestricted	(2,236,352)	(69,969)	(2,306,321)
Total net position	<u>\$ 5,155,549</u>	<u>(58,677)</u>	<u>5,096,872</u>

See notes to financial statements

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 3,410,301	139,065	857,453	-	(2,413,783)	-	(2,413,783)
Special instruction	1,166,120	25,178	135,450	-	(1,005,492)	-	(1,005,492)
Other instruction	478,442	113,593	14,971	-	(349,878)	-	(349,878)
	<u>5,054,863</u>	<u>277,836</u>	<u>1,007,874</u>	<u>-</u>	<u>(3,769,153)</u>	<u>-</u>	<u>(3,769,153)</u>
Support services:							
Student	135,703	-	96,178	-	(39,525)	-	(39,525)
Instructional staff	345,599	-	-	-	(345,599)	-	(345,599)
Administration	949,863	-	44,390	-	(905,473)	-	(905,473)
Operation & maintenance of plant	745,374	-	37,756	-	(707,618)	-	(707,618)
Transportation	369,482	-	-	-	(369,482)	-	(369,482)
	<u>2,546,021</u>	<u>-</u>	<u>178,324</u>	<u>-</u>	<u>(2,367,697)</u>	<u>-</u>	<u>(2,367,697)</u>
Other expenditures:							
Facilities acquisition	335,498	-	7,377	326,727	(1,394)	-	(1,394)
Long-term debt interest	572,721	-	-	-	(572,721)	-	(572,721)
AEA flowthrough	285,429	-	285,429	-	-	-	-
Depreciation (unallocated)*	158,064	-	-	-	(158,064)	-	(158,064)
	<u>1,351,712</u>	<u>-</u>	<u>292,806</u>	<u>326,727</u>	<u>(732,179)</u>	<u>-</u>	<u>(732,179)</u>
Total governmental activities	<u>8,952,596</u>	<u>277,836</u>	<u>1,479,004</u>	<u>326,727</u>	<u>(6,869,029)</u>	<u>-</u>	<u>(6,869,029)</u>
Business-Type activities:							
Support services							
Operation & maintenance of plant	36	-	-	-	-	(36)	(36)
Non-instructional programs:							
Food service operations	373,477	171,480	189,479	-	-	(12,518)	(12,518)
Community service operations	70,393	71,999	-	-	-	1,606	1,606
Other enterprise operations	1,083	-	-	-	-	(1,083)	(1,083)
	<u>444,953</u>	<u>243,479</u>	<u>189,479</u>	<u>-</u>	<u>-</u>	<u>(11,995)</u>	<u>(11,995)</u>
Total business type activities	<u>444,989</u>	<u>243,479</u>	<u>189,479</u>	<u>-</u>	<u>-</u>	<u>(12,031)</u>	<u>(12,031)</u>
Total	<u>\$ 9,397,585</u>	<u>521,315</u>	<u>1,668,483</u>	<u>326,727</u>	<u>(6,869,029)</u>	<u>(12,031)</u>	<u>(6,881,060)</u>
General Revenues:							
Property and other tax levied for:							
General purposes					\$ 3,777,860	-	3,777,860
Debt service					955,240	-	955,240
Capital outlay					116,752	-	116,752
Statewide sales, services and use tax					654,490	-	654,490
Unrestricted state grants					2,433,764	-	2,433,764
Unrestricted investment earnings					2,761	171	2,932
Other					26,326	1,366	27,692
Total general revenues					<u>7,967,193</u>	<u>1,537</u>	<u>7,968,730</u>
Change in net position					1,098,164	(10,494)	1,087,670
Net position beginning of year					4,057,385	(48,183)	4,009,202
Net position end of year					<u>\$ 5,155,549</u>	<u>(58,677)</u>	<u>5,096,872</u>

* This amount excludes the depreciation that is included in the direct expense of the various programs

See notes to financial statements

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
YEAR ENDED JUNE 30, 2016**

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 1,716,280	3,254,056	7,204	243,531	5,221,071
Receivables:					
Property tax:					
Delinquent	30,621	1,039	8,504	1,300	41,464
Succeeding year	3,210,778	113,272	926,769	239,821	4,490,640
Accounts	20,973	-	-	653	21,626
Due from other governments	456,284	107,207	-	-	563,491
Total assets	\$ 5,434,936	3,475,574	942,477	485,305	10,338,292
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 82,299	1,641,420	-	841	1,724,560
Salaries & benefits payable	637,596	-	-	-	637,596
Total liabilities	719,895	1,641,420	-	841	2,362,156
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax revenue	3,210,778	113,272	926,769	239,821	4,490,640
Succeeding year income surtax revenue	254,258	-	-	-	254,258
Total deferred inflows of resources	3,465,036	113,272	926,769	239,821	4,744,898
Fund balances:					
Restricted for:					
Categorical funding	162,851	-	-	-	162,851
Debt service	-	-	15,708	-	15,708
School infrastructure	-	1,688,369	-	-	1,688,369
Physical plant and equipment	-	32,513	-	-	32,513
Management levy purposes	-	-	-	141,415	141,415
Student activities	-	-	-	110,364	110,364
Committed for new building	600,000	-	-	-	600,000
Unassigned	487,154	-	-	(7,136)	480,018
Total fund balances	1,250,005	1,720,882	15,708	244,643	3,231,238
Total liabilities, deferred inflows of resources and fund balances	\$ 5,434,936	3,475,574	942,477	485,305	10,338,292

See notes to financial statements

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2016**

Total fund balances of governmental funds	\$	3,231,238
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*Amounts reported for governmental activities in the
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		24,997,978
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Blending of the Internal Service Fund to be reflected on an entity-wide basis.		8,447
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Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		254,258
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(156,463)
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Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 915,146	
Deferred inflows of resources	<u>(630,268)</u>	284,878

Long-term liabilities, including general obligation bonds payable, revenue bonds payable, capital lease obligations, compensated absences, other post employment benefits payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(23,464,787)</u>
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Net position of governmental activities	\$	<u>5,155,549</u>
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RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
Revenues:					
Local sources:					
Local Tax	\$ 3,666,770	116,752	955,240	144,878	4,883,640
Tuition	144,659	-	-	-	144,659
Other	269,888	326,870	-	108,800	705,558
State sources	3,365,748	655,562	8,771	1,317	4,031,398
Federal sources	294,169	-	-	-	294,169
Total revenues	7,741,234	1,099,184	964,011	254,995	10,059,424
Expenditures:					
Current					
Instruction:					
Regular instruction	3,512,214	-	-	-	3,512,214
Special instruction	1,149,752	-	-	-	1,149,752
Other instruction	437,691	-	-	107,608	545,299
	5,099,657	-	-	107,608	5,207,265
Support services:					
Student services	145,169	-	-	-	145,169
Instructional staff services	244,785	82,043	-	-	326,828
Administration services	817,579	5,264	-	86,751	909,594
Operation and maintenance of plant services	505,454	79,138	-	150,466	735,058
Transportation services	398,669	-	-	-	398,669
	2,111,656	166,445	-	237,217	2,515,318
Other expenditures:					
Facilities acquisition	-	9,659,687	-	-	9,659,687
Long-term debt:					
Principal	-	-	870,997	-	870,997
Interest and fiscal charges	-	-	573,885	-	573,885
AEA flowthrough	285,429	-	-	-	285,429
	285,429	9,659,687	1,444,882	-	11,389,998
Total expenditures	7,496,742	9,826,132	1,444,882	344,825	19,112,581
Excess(deficiency) of revenues over (under) expenditures	244,492	(8,726,948)	(480,871)	(89,830)	(9,053,157)
Other financing sources (uses):					
Sale of general fixed assets	825	-	-	-	825
General obligation bond proceeds	-	1,400,000	-	-	1,400,000
Premium on general obligation bond proceeds	-	24,300	-	-	24,300
Capital lease obligations	-	5,450	-	-	5,450
Transfers in	-	-	490,602	-	490,602
Transfers out	-	(490,602)	-	-	(490,602)
Total other financing sources(uses)	825	939,148	490,602	-	1,430,575
Net change in fund balances	245,317	(7,787,800)	9,731	(89,830)	(7,622,582)
Fund balances beginning of year	1,004,688	9,508,682	5,977	334,473	10,853,820
Fund balances end of year	\$ 1,250,005	1,720,882	15,708	244,643	3,231,238

See notes to financial statements

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds **\$ (7,622,582)**

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays depreciation expense and adjustments for disposals in the year are as follows:

Expenditures for capital assets	\$ 9,381,931	
Depreciation expense	<u>(194,294)</u>	9,187,637

Blending of Internal Service Fund to be reflected on an entity-wide basis.		(5,102)
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Proceeds for issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.

Repayments of long-term debt liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments as follows:

Issued	\$ (1,405,450)	
Repaid	<u>870,997</u>	(534,453)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,164
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Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		(33,789)
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The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		374,899
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds

Other post employment benefits	(33,588)	
Pension expense	(242,982)	
Compensated absences	<u>6,960</u>	<u>(269,610)</u>

Change in net position of governmental activities		\$ <u>1,098,164</u>
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See notes to financial statements

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016**

	Nonmajor Enterprise Funds				Internal Service Fund
	School Nutrition	Day Care	FFA Farm	Total	
Assets					
Cash, cash equivalents and pooled investments	\$ 11,175	29,533	61,859	102,567	8,447
Inventories	3,148	-	-	3,148	-
Capital assets, net of accumulated depreciation	11,292	-	-	11,292	-
Total assets	25,615	29,533	61,859	117,007	8,447
Deferred Outflows of Resources					
Pension related deferred outflows	29,512	9,421	-	38,933	-
Liabilities					
Accounts payable	1,577	355	-	1,932	-
Salaries and benefits and payable	6,968	4,247	-	11,215	-
Unearned revenue	2,149	-	-	2,149	-
Net pension liability	90,124	22,193	-	112,317	-
Net OPEB liability	54,891	6,660	-	61,551	-
Total liabilities	155,709	33,455	-	189,164	-
Deferred Inflows of Resources					
Pension related deferred inflows	21,334	4,119	-	25,453	-
Net Position					
Net investment in capital assets	11,292	-	-	11,292	-
Unrestricted	(133,208)	1,380	61,859	(69,969)	8,447
Total net position	\$ (121,916)	1,380	61,859	(58,677)	8,447

See notes to financial statements

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016**

	Nonmajor Enterprise Funds				Internal Service Fund
	School Nutrition	Day Care	FFA Farm	Total	
Operating revenues:					
Local sources:					
Charges for service	\$ 171,480	71,999	-	243,479	6,120
Miscellaneous	1,366	-	-	1,366	-
Total operating revenues	172,846	71,999		244,845	6,120
Operating expenses:					
Support services:					
Administration	-	-	-	-	11,222
Operation and maintenance of plant	36	-	-	36	-
	36	-	-	36	11,222
Non-instructional programs:					
Food service operations:					
Salaries	131,607	-	-	131,607	-
Benefits	74,447	-	-	74,447	-
Purchased services	-	-	-	-	-
Supplies	152,047	-	-	152,047	-
Miscellaneous	11,514	-	-	11,514	-
Depreciation	3,862	-	-	3,862	-
	373,477	-	-	373,477	-
Other enterprise operations:					
Supplies	-	-	1,083	1,083	-
Community service operations:					
Salaries	-	46,095	-	46,095	-
Benefits	-	15,900	-	15,900	-
Supplies	-	8,398	-	8,398	-
	-	70,393	-	70,393	-
Total operating expenses	373,513	70,393	1,083	444,989	11,222
				-	
Operating loss	(200,667)	1,606	(1,083)	(200,144)	(5,102)
Non-operating revenue:					
State sources	2,909	-	-	2,909	-
Federal sources	186,570	-	-	186,570	-
Interest on investments	7	39	125	171	-
Total non-operating revenue	189,486	39	125	189,650	-
Change in net position	(11,181)	1,645	(958)	(10,494)	(5,102)
Net position beginning of year	(110,735)	(265)	62,817	(48,183)	13,549
Net position end of year	\$ (121,916)	1,380	61,859	(58,677)	8,447

See notes to financial statements

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016**

	Nonmajor Enterprise Funds				Internal Service Fund
	School Nutrition	Day Care	FFA Farm	Total	
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 172,572	-	-	172,572	-
Cash received from daycare operations	-	71,999	-	71,999	-
Cash received from miscellaneous	1,366	-	-	1,366	7,120
Cash payments to employees for services	(193,106)	(57,208)	-	(250,314)	-
Cash payments to suppliers for goods or services	(137,870)	(8,320)	(1,083)	(147,273)	(11,222)
Net cash provided by (used in) operating activities	(157,038)	6,471	(1,083)	(151,650)	(4,102)
Cash flows from non-capital financing activities:					
State grants received	2,909	-	-	2,909	-
Federal grants received	162,218	-	-	162,218	-
Net cash provided by non-capital financing sources	165,127	-	-	165,127	-
Cash flows from investing activities:					
Interest on investments	7	39	125	171	-
Net change in cash and cash equivalents	8,096	6,510	(958)	13,648	(4,102)
Cash and cash equivalents at beginning of year	3,079	23,023	62,817	88,919	12,549
Cash and cash equivalents at end of year	\$ 11,175	29,533	61,859	102,567	8,447
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (200,667)	1,606	(1,083)	(200,144)	(5,102)
Commodities used	24,352	-	-	24,352	-
Depreciation	3,862	-	-	3,862	-
(Increase) decrease in:					
Accounts receivable	-	-	-	-	1,000
Inventories	6,254	-	-	6,254	-
Deferred outflows of resources	(14,183)	(5,969)	-	(20,152)	-
Increase (decrease) in:					
Accounts payable	(4,879)	78	-	(4,801)	-
Salaries and benefits payable	2,254	1,037	-	3,291	-
Unearned revenue	1,092	-	-	1,092	-
Net pension liability	17,139	5,713	-	22,852	-
Net OPEB liability	14,382	6,204	-	20,586	-
Deferred inflows of resources	(6,644)	(2,198)	-	(8,842)	-
Net cash provided by (used in) operating activities	\$ (157,038)	6,471	(1,083)	(151,650)	(4,102)

Non-cash investing, capital and financing activities

During the year ended June 30, 2016 the District received \$24,352 of federal commodities.

See notes to financial statements

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016**

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 110,029
Total assets	<u>110,029</u>
Liabilities	
None	<u>-</u>
Total liabilities	<u>-</u>
Net Position	
Reserved for scholarships	\$ <u>110,029</u>

See notes to financial statements

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 11,232
Investment income	<u>3,958</u>
Total additions	15,190
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	13,894
Support services:	
Administration	<u>1,215</u>
Total deductions	<u>15,109</u>
Change in net position	81
Net position beginning of year	<u>109,948</u>
Net position end of year	<u><u>\$ 110,029</u></u>

See notes to financial statements

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 Summary of Significant Accounting Policies

The Riverside Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the cities of Carson, Oakland and Macedonia, Iowa and the predominately agricultural territory in Pottawattamie County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Riverside Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Riverside Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in jointly governed organizations that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pottawattamie County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – (continued)

Restricted net position results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the preceding two categories. Unrestricted net position is often subject to constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and all other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's long-term debt.

The District reports the following nonmajor proprietary funds:

The District's proprietary funds include the Enterprise School Nutrition, Day Care and FFA Farm Funds, as well as the District's Internal Service Fund. The School Nutrition, Day Care and FFA Farm Funds are used to account for the food service, day care and farming operations of the District. The Internal Service Fund is used to account for the District's employee flexible benefit plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 Summary of Significant Accounting Policies (continued)

B. Basis of Presentation - (continued)

The District also reports the following fiduciary fund which focuses on net position and changes in net position:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting - (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity - (continued)

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	5,000
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	2 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity - (continued)

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Unearned Revenue - Nutrition fund unearned revenue consists of student meal charges collected but not yet earned.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivables that will not be recognized as revenue until the year for which it is levied, succeeding year income surtax that will not be recognized as revenue until available, and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity - (continued)

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resource are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceeded the amount budgeted in the instruction and support services functions.

NOTE 2 Cash and Pooled Investments

The District's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance, or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 3 Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 490,602

Transfers generally move revenues from the fund statutorily required to collect the resources, to the fund statutorily required to expend the resources.

NOTE 4 Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 526,505	-	-	526,505
Construction in progress	13,151,272	9,255,780	-	22,407,052
	13,677,777	9,255,780	-	22,933,557
Capital assets being depreciated:				
Buildings	6,567,570	68,409	-	6,635,979
Improvements other than buildings	289,437	-	-	289,437
Furniture and equipment	1,285,281	57,742	-	1,343,023
Total capital assets being depreciated	8,142,288	126,151	-	8,268,439
Less accumulated depreciation for:				
Buildings	4,748,076	139,138	-	4,887,214
Improvements other than buildings	120,864	14,472	-	135,336
Furniture and equipment	1,140,784	40,684	-	1,181,468
Total accumulated depreciation	6,009,724	194,294	-	6,204,018
Total capital assets being depreciated, net	2,132,564	(68,143)	-	2,064,421
Governmental activities capital assets, net	\$ 15,810,341	9,187,637	-	24,997,978
Business-type activities				
Machinery and equipment	\$ 81,430	-	-	81,430
Less accumulated depreciation	66,276	3,862	-	70,138
Business-type activities capital assets, net	\$ 15,154	(3,862)	-	11,292

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 896
Other	1,102
Support services:	
Administration	-
Transportation	34,232
	36,230
Unallocated	158,064
Total depreciation expense - governmental activities	\$ 194,294
Business-type activities:	
Food services	\$ 3,862

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 5 Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 13,165,000	1,400,000	560,000	14,005,000	570,000
Revenue bonds	6,035,000	-	309,000	5,726,000	309,000
Capital lease obligation	-	5,450	1,997	3,453	1,105
Compensated absences	18,987	12,027	18,987	12,027	12,027
Net pension liability	2,264,861	548,452	-	2,813,313	-
Net OPEB liability	871,407	33,588	-	904,995	-
Total	\$ 22,355,255	1,999,517	889,984	23,464,788	892,132
Business type activities:					
Net pension liability	\$ 89,475	22,852	-	112,327	-
Net OPEB liability	40,965	20,586	-	61,551	-
Total	\$ 130,440	43,438	-	173,878	-

General Obligation Bonds

Details of the District's June 30, 2016 general obligation bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 12, 2013			
	Interest Rates	Principal	Interest	Total
2017	-	\$ -	142,750	142,750
2018	-	-	142,750	142,750
2019	-	-	142,750	142,750
2020	-	-	142,750	142,750
2021	-	-	142,750	142,750
2022-2026	3.00%	100,000	713,750	813,750
2027-2031	3.10-3.75%	2,630,000	535,113	3,165,113
2032-2033	4.00%	1,235,000	74,600	1,309,600
		<u>\$ 3,965,000</u>	<u>2,037,213</u>	<u>6,002,213</u>

Year Ending June 30,	Bond Issue of May 1, 2014			
	Interest Rates	Principal	Interest	Total
2017	2.00%	\$ 530,000	189,710	719,710
2018	2.00%	540,000	179,110	719,110
2019	2.00%	500,000	168,310	668,310
2020	2.00%	510,000	158,310	668,310
2021	2.00%	520,000	148,110	668,110
2022-2026	2.25-3.00%	2,690,000	552,845	3,242,845
2027-2031	4.00%	605,000	275,000	880,000
2032-2034	4.00%	1,015,000	107,800	1,122,800
		<u>\$ 6,910,000</u>	<u>1,779,195</u>	<u>8,689,195</u>

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 5 Long-Term Liabilities - (continued)

General Obligation Bonds - (continued)

Year Ending June 30,	Bond Issue of May 6, 2015			
	Interest Rates	Principal	Interest	Total
2017	1.10%	\$ 40,000	51,705	91,705
2018	1.10%	15,000	51,265	66,265
2019	2.00%	40,000	51,100	91,100
2020	2.00%	40,000	50,300	90,300
2021	2.00%	40,000	49,500	89,500
2022-2026	2.00-3.00%	225,000	232,100	457,100
2027-2031	3.00%	270,000	196,100	466,100
2032-2035	3.00-3.25%	1,060,000	125,788	1,185,788
		<u>\$ 1,730,000</u>	<u>807,858</u>	<u>2,537,858</u>

Year Ending June 30,	Bond Issue of June 12, 2016			
	Interest Rates	Principal	Interest	Total
2017	-	\$ -	36,670	36,670
2018	-	-	40,125	40,125
2019	2.00%	20,000	40,125	60,125
2020	2.00%	25,000	39,725	64,725
2021	2.00%	25,000	39,225	64,225
2022-2026	2.00-2.50%	125,000	187,875	312,875
2027-2031	2.50-3.00%	145,000	171,225	316,225
2032-2036	3.00%	1,060,000	149,850	1,209,850
		<u>\$ 1,400,000</u>	<u>704,820</u>	<u>2,104,820</u>

Revenue Bonds

Details of the District's June 30, 2016 statewide sales, services and use tax revenue bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 12, 2013			
	Interest Rates	Principal	Interest	Total
2017	3.05%	\$ 319,000	169,778	488,778
2018	3.05%	328,000	159,912	487,912
2019	3.05%	339,000	149,740	488,740
2020	3.05%	349,000	139,248	488,248
2021	3.05%	359,000	128,451	487,451
2022-2026	3.05%	1,971,000	468,190	2,439,190
2027-2030	3.05%	2,061,000	143,427	2,204,427
		<u>\$ 5,726,000</u>	<u>1,358,746</u>	<u>7,084,746</u>

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 5 Long-Term Liabilities - (continued)

Revenue Bonds - (continued)

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,035,000 bonds issued in September 2013. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds required approximately 75% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the note is \$7,084,746. For the current year, principal and interest paid on the bonds totaled \$488,355 and total statewide sales, services and use tax revenues were \$654,490.

Capital Lease Obligation

During the year, the District entered into a capital lease obligation for the purchase of a gator. Details of the District's June 30, 2016 indebtedness under the agreement are as follows:

Year Ending June 30,	Capital Lease Dated June 22, 2015			
	Interest Rates	Principal	Interest	Total
2017	4.00%	\$ 1,105	141	1,246
2018	4.00%	1,150	96	1,246
2019	4.00%	1,198	48	1,246
		<u>\$ 3,453</u>	<u>285</u>	<u>3,738</u>

NOTE 6 Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 6 Pension Plan - (continued)

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$390,520.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$2,925,640 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.059218%, which was a decrease of 0.000147% from its proportion measured as of June 30, 2014.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 6 Pension Plan – (continued)

For the year ended June 30, 2016, the District recognized pension expense of \$252,729. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,203	\$ -
Changes in assumptions	80,550	-
Net difference between projected and actual earnings on pension plan investments	437,734	655,721
Changes in proportion and differences between District contributions and proportionate share of contributions	1,072	-
District contributions subsequent to the measurement date	<u>390,520</u>	<u>-</u>
Total	<u>\$ 954,079</u>	<u>\$ 655,721</u>

\$390,520 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (75,327)
2018	(75,327)
2019	(75,327)
2020	130,492
2021	<u>3,327</u>
Total	<u>\$ (92,162)</u>

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 6 Pension Plan – (continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 5,122,269	\$ 2,925,640	\$ 1,071,527

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 6 Pension Plan – (continued)

Pension Plan Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2016, the District reported payables to the defined benefit pension plan of \$43,214 for legally required employer contributions and \$29,065 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 7 Other Post Employment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 89 active and 14 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/vision benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. The District provides an annual early retirement offering to qualified employees. Successful applicants receive single health and dental insurance premiums paid by the District resulting in an explicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 250,665
Interest on net OPEB obligation	22,809
Adjustment to annual required contribution	<u>(112,507)</u>
Annual OPEB cost	160,967
Contributions made	<u>(106,793)</u>
Increase in net OPEB obligation	54,174
Net OPEB obligation, beginning of year	<u>912,372</u>
Net OPEB obligation, end of year	<u>\$ 966,546</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2015. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 7 Other Post Employment Benefits (OPEB) – (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016, are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 121,513	40.37 %	\$ 830,684
2015	131,282	37.77 %	912,372
2016	160,967	66.34%	966,546

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial calculation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$1,313,840, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,313,840. The covered payroll (annual payroll of active employees covered by the plan) was \$3,451,200, and the ratio of the UAAL to covered payroll was 38.07%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health cost trend rate is 5%. Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 8 Risk Management

The District is a member in the Iowa Star Schools Employees Benefit Health Plan, and Iowa Code Chapter 28E organization. Iowa Star Schools Employees Benefits Health Plan is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. Iowa Star Schools Employees Benefits Health Plan was set up for the purpose of managing and funding employee benefits. Iowa Star Schools Employees Benefits Health Plan provides coverage and protection in the following categories: medical. District contributions to Iowa Star Schools Employees Benefits Health Plan for the year ended June 30, 2016 were \$748,839.

Riverside Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$285,429 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 10 Operating Lease

The District has signed lease agreements for the rental of office equipment. Rent expense for the year ended June 30, 2016 totaled \$6,450. Future required minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 7,944
2018	7,944
2019	7,944
2020	6,468
2021	<u>1,494</u>
	<u>\$ 31,794</u>

NOTE 11 Deficit Unassigned/Unrestricted Fund Balance/Net Position

The District had eight negative accounts within the Special Revenue, Student Activity Fund totaling \$7,136 unassigned fund balance at June 30, 2016. The School Nutrition Fund had a deficit unrestricted net position of \$133,208. The governmental activities had a deficit unrestricted net position of \$2,236,352, and business type activities had a deficit unrestricted net position of \$69,969 at June 30, 2016.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 12 Categorical Funding

The District ending balances for categorical funding by project as of the year ended June 30, 2016 are as follows:

<u>Project</u>	<u>Amount</u>
Limited English proficiency	\$ 17,941
Gifted and talented	73,526
Dropout prevention	6,353
Teacher salary supplement	32
Beginning administrator mentoring	1,420
Early literacy	18,719
Teacher quality core	23,754
Teacher quality professional development	21,106
	<u>\$ 162,851</u>

NOTE 13 Construction Commitments

At June 30, 2016, the District has construction commitments of \$179,706 on various projects. Retainages due at June 30, 2016 included in accounts payable is \$1,052,647.

NOTE 14 Pending Litigation

The District is subject to pending litigation arising from a slip and fall incident. Per the attorney, the case will be vigorously defended.

REQUIRED SUPPLEMENTARY INFORMATION

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN BALANCES – BUDGET AND ACTUAL –
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts	Budget to Actual Variance - Positive (Negative)
Revenues:					
Local sources	\$ 5,733,857	245,016	5,978,873	6,237,606	(258,733)
State sources	4,031,398	2,909	4,034,307	3,419,656	614,651
Federal sources	294,169	186,570	480,739	105,000	375,739
Total receipts	<u>10,059,424</u>	<u>434,495</u>	<u>10,493,919</u>	<u>9,762,262</u>	<u>731,657</u>
Expenditures:					
Instruction	5,207,265	-	5,207,265	5,150,000	(57,265)
Support services	2,515,318	-	2,515,318	2,210,000	(305,318)
Non-instructional programs	-	444,989	444,989	640,000	195,011
Other expenditures	11,389,998	-	11,389,998	13,077,607	1,687,609
Total disbursements	<u>19,112,581</u>	<u>444,989</u>	<u>19,557,570</u>	<u>21,077,607</u>	<u>1,520,037</u>
Excess (deficiency) of revenue over (under) expenditures	(9,053,157)	(10,494)	(9,063,651)	(11,315,345)	2,251,694
Other financing sources, net	<u>1,430,575</u>	<u>-</u>	<u>1,430,575</u>	<u>-</u>	<u>1,430,575</u>
Excess(deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(7,622,582)	(10,494)	(7,633,076)	(11,315,345)	3,682,269
Balances beginning of year	<u>10,853,820</u>	<u>(48,183)</u>	<u>10,805,637</u>	<u>12,423,801</u>	<u>(1,618,164)</u>
Balances end of year	<u>\$ 3,231,238</u>	<u>(58,677)</u>	<u>3,172,561</u>	<u>1,108,456</u>	<u>2,064,105</u>

See Accompanying Independent Auditors' Report

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2016**

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2016, expenditures exceeded the amounts budgeted in the instruction and support services functions. The District did not exceed its General Fund unspent authorized budget.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TWO YEARS*
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.059218%	0.059364%
District's proportionate share of the net pension liability	\$ 2,926	2,354
District's covered-employee payroll	\$ 4,053	3,885
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.19%	60.59%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 391	362	347	327	294	249	240	237	224	205
Contributions in relation to the statutorily required contribution	391	362	347	327	294	249	240	237	224	205
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 4,373	4,053	3,885	3,769	3,647	3,586	3,614	3,726	3,699	3,565
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.06%	6.95%	6.65%	6.35%	6.05%	5.75%

See Accompanying Independent Auditors' Report

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2016**

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN (In Thousands)
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

Year Ended 30-Jun	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 2,827,303	\$ 2,827,303	0.0%	\$ 3,162,799	89.39%
2011	Jul 1, 2009	-	2,732,588	2,732,588	0.0%	3,471,585	78.71%
2012	Jul 1, 2009	-	2,501,798	2,501,798	0.0%	3,223,417	77.61%
2013	Jul 1, 2012	-	1,406,061	1,406,061	0.0%	3,318,028	42.38%
2014	Jul 1, 2012	-	1,422,917	1,422,917	0.0%	3,340,480	42.60%
2015	Jul 1, 2012	-	1,441,960	1,441,960	0.0%	3,786,215	38.08%
2016	Jul 1, 2015	-	1,313,840	1,313,840	0.0%	3,451,200	38.07%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See Accompanying Independent Auditors' Report

SUPPLEMENTARY INFORMATION

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Assets:			
Cash, cash equivalents and pooled investments \$	140,115	103,416	243,531
Receivables:			
Property tax:			
Delinquent	1,300	-	1,300
Succeeding year	239,821	-	239,821
Accounts	-	653	653
Total assets	<u>\$ 381,236</u>	<u>104,069</u>	<u>485,305</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	841	841
Total liabilities	-	841	841
Deferred inflows of resources:			
Unavailable succeeding year property tax revenue	239,821	-	239,821
Fund balances:			
Restricted for:			
Management levy purposes	141,415	-	141,415
Student activities	-	110,364	110,364
Unassigned	-	(7,136)	(7,136)
Total fund balances	<u>141,415</u>	<u>103,228</u>	<u>244,643</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 381,236</u>	<u>104,069</u>	<u>485,305</u>

See Accompanying Independent Auditors' Report

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

		Special Revenue	
	Management	Student	
	Lewy	Activity	Total
Revenues:			
Local sources:			
Local Tax	\$ 144,878	-	144,878
Other	1,082	107,718	108,800
State sources	1,317	-	1,317
Total revenues	147,277	107,718	254,995
Expenditures:			
Current:			
Instruction:			
Other instruction	1,604	106,004	107,608
Support services:			
Administration services	86,751	-	86,751
Operation and maintenance of plant	150,466	-	150,466
	237,217	-	237,217
Total expenditures	238,821	106,004	344,825
Net change in fund balances	(91,544)	1,714	(89,830)
Fund balances beginning of year	232,959	101,514	334,473
Fund balances end of year	\$ 141,415	103,228	244,643

See Accompanying Independent Auditors' Report

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
YEAR ENDED JUNE 30, 2016**

	Capital Projects				
	Statewide Sales, Services and Use Tax	General Obligation Construction Bonds	Revenue Construction Bonds	Physical Plant and Equipment Levy	Total
Assets					
Assets:					
Cash, cash equivalents and pooled investments	\$ 2,099,140	145,232	971,431	38,253	3,254,056
Receivables:					
Property tax:					
Delinquent	-	-	-	1,039	1,039
Succeeding year	-	-	-	113,272	113,272
Due from other governments	107,207	-	-	-	107,207
Total assets	<u>\$ 2,206,347</u>	<u>145,232</u>	<u>971,431</u>	<u>152,564</u>	<u>3,475,574</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 517,978	145,232	971,431	6,779	1,641,420
Deferred inflows of resources:					
Unavailable succeeding year property tax revenue	-	-	-	113,272	113,272
Fund balances:					
Restricted for:					
School infrastructure	1,688,369	-	-	-	1,688,369
Physical plant and equipment	-	-	-	32,513	32,513
Total fund balances	<u>1,688,369</u>	<u>-</u>	<u>-</u>	<u>32,513</u>	<u>1,720,882</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,206,347</u>	<u>145,232</u>	<u>971,431</u>	<u>152,564</u>	<u>3,475,574</u>

See Accompanying Independent Auditors' Report

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES – CAPITAL PROJECT ACCOUNTS
YEAR ENDED JUNE 30, 2016**

	Capital Projects				
	Statewide Sales, Services and Use Tax	General Obligation Construction Bonds	Revenue Construction Bonds	Physical Plant and Equipment Lewy	Total
Revenues:					
Local sources:					
Local Tax	\$ -	-	-	116,752	116,752
Other	319,443	1,295	5,989	143	326,870
State sources	654,490	-	-	1,072	655,562
Total revenues	973,933	1,295	5,989	117,967	1,099,184
Expenditures:					
Current:					
Support services:					
Instructional staff services	-	-	-	82,043	82,043
Administration services	1,850	-	3,414	-	5,264
Operation and maintenance of plant services	66,367	-	-	12,771	79,138
Transportation services	-	-	-	-	-
	68,217	-	3,414	94,814	166,445
Other expenditures:					
Facilities acquisition	524,816	3,410,545	5,662,243	62,083	9,659,687
Total expenditures	593,033	3,410,545	5,665,657	156,897	9,826,132
Excess (deficiency) of revenues over (under) expenditures	380,900	(3,409,250)	(5,659,668)	(38,930)	(8,726,948)
Other financing sources (uses):					
General obligation bond proceeds	-	1,400,000	-	-	1,400,000
Premium on general obligation bond proceeds	-	24,300	-	-	24,300
Capital lease obligations	-	-	-	5,450	5,450
Transfers out	(488,605)	-	-	(1,997)	(490,602)
Total other financing sources (uses)	(488,605)	1,424,300	-	3,453	939,148
Net change in fund balances	(107,705)	(1,984,950)	(5,659,668)	(35,477)	(7,787,800)
Fund balances beginning of year	1,796,074	1,984,950	5,659,668	67,990	9,508,682
Fund balances end of year	\$ 1,688,369	-	-	32,513	1,720,882

See Accompanying Independent Auditors' Report

RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND - STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2016

	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Spring play	\$ 58	-	-	58
Speech	(115)	-	89	(204)
Vocal	188	827	173	842
Musical	1,974	-	1,297	677
Band	2,907	15,491	9,289	9,109
Cross country	79	597	519	157
Boys Basketball	1,616	1,445	2,305	756
Football	8,161	7,935	5,646	10,450
Baseball	1,299	220	900	619
Golf	330	-	-	330
Girls basketball	1,522	300	372	1,450
Volleyball	5,048	-	115	4,933
Boys soccer	677	-	-	677
Girls soccer	518	-	-	518
Softball clinic	2,504	1,872	1,779	2,597
Athletics	14,719	37,131	34,507	17,343
Uniforms	9,297	5,610	12,719	2,188
5th grade team	212	-	-	212
Dance team	2,413	7,281	7,681	2,013
FFA	13,033	310	6,565	6,778
1st grade - US West	465	-	-	465
MS fundraising	(886)	1,314	4,462	(4,034)
IS library	7	-	-	7
FCCLA	(102)	1,265	1,079	84
ITAG grant	68	-	-	68
Yearbook	1,028	7,700	2,005	6,723
Bulldog bits	121	-	-	121
Football cheerleaders	4,281	2,290	1,382	5,189
Robotics club	554	-	-	554
DC Trip	2,922	-	-	2,922
International club	15	-	-	15
Civic donations	(969)	112	-	(857)
JH field trips	3,052	-	-	3,052
Interest	524	-	-	524
Elementary book fair	6,277	-	-	6,277
National honor society	127	100	27	200
R club	241	-	-	241
HS student improvement	5,099	-	-	5,099
HS recognition	99	-	-	99
Putman classroom	370	417	338	449
HS student council	718	2,706	2,204	1,220
Wrestling cheerleader	192	1,858	354	1,696
Jump rope for heart	990	-	-	990
Spanish trip	226	-	-	226
Art club	263	-	-	263
Basketball cheerleaders	881	729	762	848
IS fundraising	1,087	1,825	-	2,912
Outdoor classroom	127	-	-	127
Science club	1,214	36	-	1,250
Class of 2014	293	-	-	293
Class of 2015	371	-	679	(308)
Class of 2016	3,338	652	4,626	(636)
Class of 2017	1,553	5,766	3,811	3,508
Class of 2018	680	1,020	-	1,700
Class of 2019	-	620	-	620
IS student council	(322)	-	-	(322)
MS student council	1,549	-	-	1,549
Weightroom	-	289	319	(30)
Class of 2013	(1,379)	-	-	(1,379)
Total	\$ 101,514	107,718	106,004	103,228

See Accompanying Independent Auditors' Report

RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURE BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
	Modified Accrual Basis									
Revenues:										
Local sources:										
Local Tax	\$ 4,883,640	4,306,185	3,322,767	3,959,956	3,924,797	4,189,038	3,726,105	3,612,576	3,113,882	3,063,277
Tuition	144,659	155,742	113,653	123,676	121,430	50,532	122,083	154,795	169,227	113,999
Other	705,558	605,581	396,176	479,310	402,760	435,670	381,963	420,374	492,777	452,204
Intermediate sources	-	-	-	-	-	-	-	-	15,229	-
State sources	4,031,398	4,191,867	3,807,787	3,130,456	3,077,937	2,826,333	2,465,780	2,963,000	2,911,515	2,920,328
Federal sources	294,169	327,488	297,132	194,178	225,941	322,295	490,706	189,645	131,020	144,653
Total	\$ 10,059,424	9,586,863	7,937,515	7,887,576	7,752,865	7,823,868	7,186,637	7,340,390	6,833,650	6,694,461
Expenditures:										
Instruction:										
Regular instruction	\$ 3,512,214	3,583,532	3,240,766	3,135,793	2,944,468	2,879,560	2,888,195	3,109,105	2,694,951	2,381,372
Special instruction	1,149,752	1,028,795	1,139,548	782,593	842,896	801,118	878,157	865,248	835,938	803,953
Other instruction	545,299	504,027	948,851	1,040,982	1,001,941	762,619	583,512	415,539	820,609	831,456
Support services:										
Student services	145,169	143,082	149,288	131,136	132,448	167,636	132,161	188,921	189,734	180,071
Instructional staff services	326,828	244,914	296,622	126,720	95,387	222,376	96,237	119,850	120,140	134,178
Administration services	909,594	888,615	840,429	718,862	774,304	748,320	706,836	582,390	612,617	621,653
Operation and maintenance of plant services	735,058	980,408	745,883	560,775	573,140	519,632	566,148	544,026	566,046	534,428
Transportation services	398,669	436,088	355,908	439,704	337,828	338,084	268,413	251,994	295,056	438,144
Other expenditures:										
Facilities acquisition	9,659,687	11,815,449	2,205,549	235,110	348,527	996,251	401,482	234,265	382,908	365,101
Long-term debt:										
Principal	870,997	520,000	56,076	45,055	24,280	49,312	21,181	82,342	57,838	-
Interest and fiscal charges	573,885	648,177	2,392	530	1,984	4,640	2,485	2,639	3,477	-
AEA flowthrough	285,429	287,673	261,595	249,922	242,360	271,411	257,342	236,389	214,810	209,591
Total	\$ 19,112,581	21,080,760	10,242,907	7,467,182	7,319,563	7,760,959	6,802,149	6,632,708	6,794,124	6,499,947

See Accompanying Independent Auditors' Report

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

November 16, 2016

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit Performed
in Accordance with *Government Auditing Standards***

The Board of Education of
Riverside Community School District
Riverside, IA 51537

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund balance information of the Riverside Community School District as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Riverside Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Riverside Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Riverside Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, there can be no assurance all deficiencies, significant material weaknesses or deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and certain deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-16 and I-B-16 to be material weaknesses.

Continued. . .

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-16 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riverside Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Riverside Community School District's Responses to Findings

Riverside Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Riverside Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Riverside Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience

Schwee & Associates, PC

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-16 Segregation of Duties

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

- 1) Cash - bank reconciliations, cash receipts, disbursement and approval functions
- 2) Inventories - purchasing, recording and maintaining inventory records
- 3) Capital assets - responsibility for assets and periodic testing
- 4) Receipts - recording, depositing, posting and reconciling
- 5) Disbursements - check preparation, signing checks, voucher preparation and reconciling disbursements to the check register
- 6) Payroll - approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger
- 7) Long-term debt - maintain records and performs cash functions
- 8) Transfers - authorization, recording and approval
- 9) Wire transfers - processing and approval
- 10) Financial reporting - preparing, reconciling and approving
- 11) Computer systems - performing and controlling all general accounting functions
- 12) Journal entries - posting and approval

In addition, the person who signs checks also has access to the signature stamp of the Board President.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances, including control over access to the signature stamp.

Response - The District realizes the importance of proper segregation of duties and will continue to reallocate duties if/where possible including controls over access to the signature stamp.

Conclusion - Response accepted.

I-B-16 Financial Reporting

Comment - During the audit, we identified numerous adjustments to reconcile payables and capital asset additions in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation - The District should implement procedures to ensure all payables and capital asset additions are identified and included in the District's financial statements.

Response - All adjustments have been properly posted to the District records and reconcile with the audit report. The District will implement procedures to capture all accrual entries at year end.

Conclusion - Response accepted.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016**

Part I: Findings Related to the Financial Statements - (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

I-C-16 Disbursement Approval

Comment - For three of the forty disbursements tested, there was no evidence of Board approval. This appears to be due to employee oversight.

Recommendation - The District should ensure all expenditures are properly approved. The District should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

Response - We will ensure all expenditures are properly approved.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016**

Part II: Other Findings Related to Required Statutory Reporting:

II-A-16 Certified Budget

Comment - District expenditures for the year ended June 30, 2016 exceeded the amount budgeted in the instruction and support services functional areas.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will review budget calculations to ensure that future budget overages do not occur.

Conclusion - Response accepted.

II-B-16 Questionable Expenditures

No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-16 Travel Expense

No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-16 Business Transactions

Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Phil Reed, Board Member, owner of Reed Services	Mowing	\$ 1,845
Sid Skank, husband of Tammy Skank, Secretary	Painting Services	\$ 4,500

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions do not appear to represent conflicts of interest.

II-E-16 Bond Coverage

Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016**

Part II: Other Findings Related to Required Statutory Reporting - (continued):

II-F-16 Board Minutes

Comment – As previously noted, three disbursements requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa.

Recommendation – All disbursements should be approved by the Board.

Response – All disbursements will be approved by the Board in the future.

Conclusion – Response accepted.

II-G-16 Certified Enrollment

No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-16 Supplemental Weighting

No variances regarding the supplemental weighting certified to the Department of Education were noted.

II-I-16 Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

II-J-16 Certified Annual Report

The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-16 Categorical Funding

No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-16 Statewide Sales and Services Tax

No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016**

Part II: Other Findings Related to Required Statutory Reporting - (continued):

II-L-16 Statewide Sales and Services Tax - (continued)

Beginning balance	\$ 1,796,074
Revenues/transfers in:	
Sales tax revenues	654,490
Other local revenues	319,443
	<u>973,933</u>
Expenditures/transfers out:	
Equipment	68,217
Facilities acquisitions	524,816
Transfers to debt service fund	488,605
	<u>1,081,638</u>
Ending balance	\$ <u>1,688,369</u>

For the year ended June 30, 2016, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	1.37	\$ 488,605
Physical plant and equipment levy	0.19	68,217
		<u>\$ 556,822</u>

II-M-16 Revenue Bonds

The District is in compliance with the provisions of the revenue bond resolution.

II-N-16 Deficit Balances/Net Position

Comment – At June 30, 2016, the District had eight negative accounts with a total deficit unassigned balance of \$7,136 in the Student Activity Fund. We also noted that the School Nutrition Fund had a deficit unrestricted net position of \$121,916, governmental activities had a deficit unrestricted net position of \$2,236,352, and business type activities had a deficit unrestricted net position of \$69,969 at June 30, 2016.

Recommendation – The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

Response – The implementation of GASB No. 68 had a negative impact on the governmental and business type activities. We will consider alternatives to eliminate the deficits.

Conclusion – Response accepted.

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016**

Part II: Other Findings Related to Required Statutory Reporting - (continued):

II-O-16 Student Activity Fund

Comment – In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the co curricular and extracurricular activities offered as a part of the education program for students. We noted during our audit the following accounts within the Student Activity Fund that do not appear to be related to co curricular or extracurricular activities:

ITAG Grant - This account appears to be related to the Talented and Gifted program which is part of the instructional program of the District and should be accounted for in the General Fund.

Student Needs (civic donations) - This account is used to account for gifts and donations from the booster club and other organizations. It is also used to account for interest earned on the cash balance of the Student Activity Fund.

Outdoor Classroom - This account appears to be instructional in nature and should be accounted for in the General Fund.

Recommendation – These accounts do not appear to be co curricular or extracurricular in nature and should be accounted for in the General Fund.

Response – The District will review the accounts and move them to the General Fund as necessary.

Conclusion – Response accepted.

II-P-16 SUTA Calculation

Comment – We noted employee wages were not accurately reported to Iowa Workforce.

Recommendation – The District should correct the payroll software to report wages earned so possible unemployment claims are accurate.

Response – We will correct this in our system.

Conclusion – Response accepted.